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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-v.-

98 Civ. 2320 (RPP)

ARJUN SEKHRI, AMOLAK SEHGAL,
PRATIMA RAJAN, FUAD DOW,
GORDON W. COCHRANE,
MARTIN L. THIFULT,
ROHINA SHARMA *and*
SHARAD KAPOOR,

Defendants,

MAHENDAR SEKHRI *and*
SHARDA SEKHRI,

Relief Defendants.

SECOND AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

1. Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Fuad Dow, Gordon Cochrane, Martin Thifault, Rohina Sharma and Sharad Kapoor collectively made a total of more than \$1.8 million in just over three months from unlawful insider trading in the

common stock and/or call options (“calls”) on the stock of (i) MCI Communications Corp., (ii) Brooks Fiber Properties, Inc., (iii) Carson Pirie Scott & Co., Inc., (iv) Central and South West, Corp., and (v) Southern New England Telecommunications Corp. Defendants traded shortly before six major public announcements concerning these companies around the end of 1997.

2. Sekhri, the source of the inside information, was an investment banking associate in the mergers and acquisitions group of Salomon Smith Barney, Inc. in New York City at the time of the trading. Salomon provided investment banking services in each of the relevant corporate transactions, and Sekhri personally worked on at least one of the transactions. Sekhri tipped Dow, Sehgal, Rajan, Sharma and Kapoor directly, and Dow tipped Cochrane and Thifault.

JURISDICTION

3. Defendants engaged in acts, practices and courses of business that violate Sections 10(b) and 14(e) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §§78j(b) and 78n(e)] and Rules 10b-5 and 14e-3 thereunder [17 C.F.R. §§240.10b-5 and 240.14e-3], through the means or instrumentalities of interstate commerce, the mails or the facilities of a national securities exchange.

4. This Court has jurisdiction under Sections 21(d)(1), 21(e), 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1), 78u(e), 78u-1 and 78aa]. Certain of Defendants’ transactions, acts, practices and courses of business occurred within this District, and venue is proper pursuant to Section 27 of the Exchange Act.

5. The SEC seeks a judgment permanently enjoining Defendants from future violations and directing disgorgement of their illegal profits, pursuant to Sections 21(d)(1) and (e) of the Exchange Act [15 U.S.C. §§78u(d)(1) and (e)]. Unless enjoined, they will continue to engage in transactions, acts, practices and courses of business similar to those described below. The SEC also brings this action for an award of civil penalties, pursuant to Section 21A of the Exchange Act [15 U.S.C. §§78u-1].

DEFENDANTS

6. Arjun Sekhri, 32, is an Indian citizen whose last known address was in Jersey City, New Jersey. Sekhri received a graduate degree in finance from the Stern School of Business of New York University in 1996 and worked as an associate in the investment banking group of Salomon. Sekhri resigned from Salomon in January 1998 and accepted a position at CS First Boston, but he notified CS First Boston on the day he was scheduled to begin his new job that he would not be accepting the position. This occurred a few days after Defendant Fuad Dow received an investigative subpoena from the SEC.

7. Amolak R. Sehgal, 56, lives in Stormville, New York. He is Sekhri's father-in-law.

8. Pratima Rajan, 34, is an Indian citizen who lives in San Jose, California. She is a friend of Sekhri.

8A. Rohina Sharma, 28, is an Indian citizen who lives in San Jose, California. She is a friend of Sekhri and has the same address and phone number as Rajan.

8B. Sharad Kapoor, 36, is an Indian citizen who lives in San Jose, California and New Delhi, India. He is married to Defendant Sharma and is a friend of Defendant Rajan, who also shared his San Jose address. He has been a friend of Defendant Sekhri since college. Until recently, Kapoor was a broker at Merrill Lynch, Pierce, Fenner & Smith, Inc.

9. Fuad Dow, 34, lives in Boca Raton, Florida. He is an insurance adjuster with State Farm Insurance. Dow and Sekhri were college roommates and remain friends.

10. Gordon W. Cochrane, 43, lives in Boca Raton. He owns a small security alarm installation company and is a friend of Dow.

11. Martin Thifault, 31, is a Canadian citizen who lives in Ft. Lauderdale, Florida. He is a graduate student studying for a masters degree in international business. He was a claims representative with State Farm from September 1990 until March 1997 and is a friend of Dow.

12. Relief Defendants Mahendar Sekhri and Sharda Sekhri are Arjun Sekhri's parents. Their last known address was in Monroeville, Pennsylvania. (In this Complaint, "Sekhri" refers to Defendant Arjun Sekhri.)

SEKHRI'S DUTY TO SALOMON AND ACCESS TO INFORMATION

13. Sekhri joined Salomon in July 1996. He signed a document prior to joining the firm which acknowledged that, in the course of his employment, he might receive confidential information and that he would be responsible for maintaining that confidentiality. He specifically agreed not to use confidential information in trading for

his own account "or in advising relatives, friends or other persons with respect to trading."

14. Sekhri also signed a document in which he agreed to comply with the policies set forth in the firm's compliance manual. The manual contains a similar prohibition on trading, or advising others to trade, while in possession of non-public information.

15. Through his work at Salomon, Sekhri received confidential information on a number of pending transactions. Beginning around September 15, 1997, he personally worked as a member of the "deal team" on a transaction that was the basis for two of the announcements involved in this case -- WorldCom's acquisition of MCI. Indeed, Sekhri later prepared a resume that stated that he was "[r]esponsible for the valuation and merger analysis for WorldCom's \$37 billion bid [for MCI]."

16. Around October 1, 1997, Sekhri formally became a member of the mergers and acquisitions group at Salomon. As a trusted employee, he regularly obtained non-public information and worked in close proximity to other Salomon employees involved in major corporate transactions. Sekhri likewise had access to Salomon's computer system and generally was privy to the flow of information through the firm.

INSIDER TRADING BEFORE MCI AND BROOKS ANNOUNCEMENTS

17. On October 1, 1997, WorldCom announced a tender offer for MCI. The price of MCI stock, which had been trading at around \$27 to \$29 per share, rose almost \$6 per share following this announcement. Salomon was a financial advisor to WorldCom.

18. On the same day that WorldCom announced its tender offer for MCI, WorldCom also announced that it would merge with another company, Brooks Fiber. The price of Brooks Fiber stock, which had been trading at around \$39 to \$46 per share, rose \$8 following this announcement. Salomon was a financial advisor to Brooks Fiber on this transaction.

19. Dow, Cochrane and Thifault all began purchasing MCI stock and/or call options on MCI stock during the week before the MCI and Brooks Fiber announcements. They continued purchasing stock and/or options through September 30. Dow and Cochrane also purchased Brooks Fiber stock and/or options on September 29.

20. Telephone records show calls between Sekhri and Dow and among Dow, Cochrane and Thifault throughout this period. For example, on September 24, Dow called Sekhri's home at 6:26 p.m. and spoke for 4.7 minutes, and at 6:36 p.m. and spoke for almost 44 minutes. This was the day after Dow's first purchases of MCI calls and the day before Dow's first purchases of MCI stock. Two days later, on September 26, Cochrane called Dow at 11:39 a.m. and at 1:44 p.m. The records show that each call lasted one minute. Cochrane bought 2,000 shares of MCI stock, his first purchase of MCI securities, on the same day.

21. On September 29, Dow called Sekhri's home at 7:28 a.m. and spoke for 4.7 minutes. Dow also called Cochrane's cell phone and Cochrane called Dow three times, beginning at 8:24 a.m. On the same day, Dow bought Brooks Fiber stock and MCI calls, and Cochrane bought Brooks Fiber calls. On September 30, Dow and Cochrane called each other at least eight times, and both bought additional MCI calls. The pattern of

phone calls among the proposed defendants continued after WorldCom's October 1 announcements concerning MCI and Brooks Fiber.

22. Dow, Cochrane and Thifault sold their MCI and Brooks Fiber positions beginning on October 2, and realized total profits of over \$375,000. Specifically, Dow realized profits of \$187,725, Cochrane realized profits of \$185,265, and Thifault realized profits of \$2,564.

23. Sehgal, Sekhri's father-in-law, bought MCI stock on September 19. He held the stock through a second MCI announcement, described below, and ultimately realized a profit of almost \$40,000.

24. On October 9, 1997, Dow wrote a \$8,764 check to Cochrane. On October 10, 1997, Cochrane, at Dow's request, wired \$80,545 to Sehgal. A few weeks later, Sehgal paid a substantial portion of the purchase price for a 1998 Lexus automobile used by Sekhri and titled in the name of Sekhri's parents, who are Relief Defendants.

25. Rajan bought MCI call options on September 26 and 29, and Sharma bought MCI call options on September 29. The records for Sekhri's phone at Salomon reflect a call to the phone shared by Rajan and Sharma on September 29 at 1:10 p.m. for 3.2 minutes. Rajan sold these call options beginning on October 1, realizing a profit of almost \$43,000; Sharma also sold these call options beginning on October 1, realizing a profit of \$14,856.

25A. Three of Kapoor's Merrill Lynch clients collectively bought 3,500 shares of MCI stock after telephone contacts between Sekhri and Kapoor, and just before the October 1 announcement. On September 25, Kapoor called Sekhri's home at 6:33 p.m.

and 8:07 p.m., with the second call lasting 21 minutes. On September 26, one of Kapoor's clients bought 2,000 shares. On September 28, Kapoor called Sekhri's home at 11:38 p.m. for 24 minutes. On September 29, other Kapoor clients bought 1,500 shares of MCI, and the first Kapoor client also bought 1,000 shares of Brooks Fiber stock. On October 1, Sekhri called Kapoor's home and his number at Merrill Lynch. The Brooks Fiber stock has been sold by Kapoor's client at a profit of \$9,671; the disposition of all of his clients' MCI shares is still unknown.

INSIDER TRADING BEFORE CARSON ANNOUNCEMENT

26. On October 29, 1997, Proffitt's announced an agreement to acquire Carson Pirie Scott. The price of Carson stock, which had been trading at around \$36 to \$38 per share, rose over \$8 per share following that announcement. Salomon was a financial advisor to Proffitt's.

27. Cochrane bought Carson call options on October 27 and 28. Dow bought Carson call options and shares on October 28 and 29. Sharma bought Carson call options on October 21, and Rajan bought Carson stock on October 24. Sehgal bought Carson stock on October 28.

28. Telephone records show extensive contacts between Dow and Sekhri and between Dow and Cochrane prior to this announcement. Dow called Sekhri's home on October 26 at 6:04 p.m. and again at 6:05 p.m. The second call lasted fifteen minutes. Dow and Cochrane called each other at least twelve times between October 25 and 28. On October 29, the day of the announcement, Cochrane called Dow's home or his beeper nine times between 11:57 a.m. and 2:58 p.m.

29. Dow, Cochrane and Thifault opened securities trading accounts around this time at many of the same discount brokers. They began a pattern of dividing their trades among these accounts, thereby hoping to avoid detection.

30. Dow, Cochrane, Sehgal, Rajan and Sharma sold their Carson positions, beginning October 30, realizing total profits of more than \$200,000. Specifically, Dow realized profits of \$30,642; Cochrane realized profits of \$139,423; Sehgal realized profits of \$24,450; Rajan realized profits of \$19,971; and Sharma realized profits of \$4,786.

30A. Five of Kapoor's Merrill Lynch clients collectively bought 7,000 Carson shares after telephone contacts between Sekhri and Kapoor, and just before the October 29 announcement. On October 17, Sekhri called Kapoor's home at 7:27 p.m. and spoke for 20 minutes, and at 7:47 p.m. and spoke for 11 minutes. On October 21, Kapoor called Sekhri's home once and Sekhri called Kapoor's home twice, including a call at 11:10 p.m. for 33 minutes. On October 27, Kapoor called Sekhri's home at 6:34 for 1 minute. On October 28, Kapoor's Merrill Lynch clients bought 7,000 Carson shares. Sekhri and Kapoor spoke again by phone on October 29, the day of the announcement. Immediately after the announcement, Kapoor's clients sold their shares for a profit of \$80,769.

INSIDER TRADING BEFORE SECOND MCI ANNOUNCEMENT

31. On November 10, 1997, MCI announced that it had accepted WorldCom's increased bid, valued at \$37 billion. The price of MCI's stock increased over \$4 per share following this announcement. Solomon continued to advise WorldCom, and Sekhri remained part of the deal team working on this matter.

32. Dow called Sekhri's home four times between October 29 and November 2. He bought MCI call options on November 3 and MCI stock on November 5. Cochrane called Dow's home or his beeper seven times between October 29 and November 10, including five calls on November 7. Cochrane bought MCI call options on that day.

33. Dow called Thifault's home on November 3 and spoke for eighteen minutes. Thifault bought MCI call options and stock on November 7. Dow called Thifault's home the next day and spoke for seven minutes. In addition, Sehgal bought MCI stock on November 6, Sharma bought MCI call options and stock on November 6, and Rajan bought MCI stock on November 7.

34. Defendants sold their positions beginning on November 10, realizing profits of over \$580,000. Specifically, Dow realized profits of \$137,768; Cochrane realized profits of \$226,382; Thifault realized profits of \$169,250; Sehgal realized profits of \$24,469; Rajan realized profits of \$22,670; and Sharma realized profits of \$21,551.

34A. Six of Kapoor's Merrill Lynch clients collectively bought 8,500 shares of MCI stock after telephone contacts between Sekhri and Kapoor, and just before the November 10 announcement. On November 6, Kapoor called Sekhri's home at 6:13 a.m. for 1 minute, and Sekhri called Kapoor's home at 9:05 a.m. for 2 minutes. On November 6, Kapoor's Merrill Lynch clients bought 6,000 MCI shares. On November 7, the last business day before the announcement, Kapoor's clients bought 2,500 MCI shares. Sekhri and Kapoor spoke again by phone on November 8 and 9. Some of Kapoor's clients still own their MCI shares, and other Kapoor clients sold their MCI shares for profits of \$68,426.

INSIDER TRADING BEFORE THE CSW ANNOUNCEMENT

35. On December 22, 1997, American Electric Power announced that it would acquire Central & South West for \$6.6 billion. The price of CSW stock, which had been trading at around \$24 to \$26 rose by \$1 1/8 after the announcement. Salomon was a financial advisor to American Electric Power.

36. Dow called Sekhri's home or his number at Salomon at least ten times between December 4 and December 22, including a 37 minute call on December 7. On December 8, Dow bought CSW call options. He sold them after the announcement and realized profits of \$6,562.

36A. Five of Kapoor's Merrill Lynch clients collectively bought 4,150 CSW shares after telephone contacts between Sekhri and Kapoor, and shortly before the December 22 announcement. On December 7, Kapoor called Sekhri three times, with the last call lasting for 24 minutes. On December 10, Sekhri called Kapoor's home and spoke for 52 minutes. On December 11, Kapoor's clients bought 2,150 CSW shares. That evening, Sekhri called Kapoor's home at 6:58 p.m. On December 13, Kapoor called Sekhri's home at 11:00 a.m. and spoke for 32 minutes. On December 15, Kapoor's clients bought 1,500 CSW shares, and on December 16 one of these clients bought another 500 CSW shares. The disposition of all of these CSW shares by Kapoor's clients is not presently known.

INSIDER TRADING BEFORE THE SNET ANNOUNCEMENT

37. On January 5, 1988, SBC Communications Inc. announced that it had agreed to merge with Southern New England Telecommunications Corp. ("SNET"). The price

of SNET stock, which had been trading at around \$47 to \$50 per share, rose \$10 per share following the announcement. Salomon was a financial advisor to SNET.

38. Telephone records show contacts between Dow and Sekhri and among Dow, Cochrane and Thifault leading up to this announcement. Dow called Sekhri's home three times on December 23, and Dow purchased SNET call options on the same day. Dow also called Thifault on December 23, and Thifault likewise bought SNET call options that day. Additionally, Cochrane bought SNET call options, and Sehgal bought SNET stock.

38A. Telephone records also show contacts between Sekhri and Sharma's home on December 21 and December 28. Sharma bought SNET stock on December 31.

39. Defendants began selling their positions on the day of the announcement, realizing profits of over \$570,000. Specifically, Dow realized profits of \$126,516; Cochrane realized profits of \$183,130; Thifault realized profits of \$252,695; Sehgal realized profits of \$3,585; and Sharma realized profits of \$17,128.

39A. Three of Kapoor's Merrill Lynch clients bought 3,500 SNET shares after telephone contacts between Sekhri and Kapoor, and shortly before the January 5 announcement. On December 21, Kapoor called Sekhri at 9:01 a.m. and spoke for 3 minutes, and Kapoor called Sekhri at Salomon at 12:22 p.m. and spoke for 25 minutes. On December 22, Kapoor's clients bought 3,500 SNET shares. That evening, Kapoor called Sekhri at 7:52 p.m. and spoke for 2 minutes. Several weeks after the announcement, Kapoor's clients sold their SNET shares at profits of \$49,925.

COUNT I

Fraud in the Purchase and Sale of Securities in Violation of Exchange Act §10(b) and Rule 10b-5

40. Plaintiff SEC repeats and realleges Paragraphs 1 through 39 above.

41. Defendant Sekhri knew or recklessly disregarded the fact that he possessed material nonpublic information concerning the six major corporate announcements described above. Sekhri further knew or recklessly disregarded the fact that he owed Salomon and its clients a fiduciary duty to maintain such information in confidence until it was publicly disseminated.

42. Defendant Sekhri, in violation of his fiduciary duty to Salomon and its clients and for his personal benefit, misappropriated such material nonpublic information by communicating such information directly or indirectly to Defendants Sehgal, Rajan, Sharma, Kapoor, Dow, Cochrane and Thifault while knowing, reasonably expecting, or recklessly disregarding the likelihood that these Defendants would trade in the securities of the corporations that were the subjects of these announcements, and that Kapoor would cause his Merrill Lynch clients to trade in these securities.

43. Defendants Sehgal, Rajan, Sharma, Dow, Cochrane and Thifault, while in possession of such information, and knowing, having reason to know, or recklessly disregarding the fact that such information had been communicated to them in breach of Sekhri's duty to Salomon and its clients, purchased the securities described above in their respective accounts, and Kapoor so caused his Merrill Lynch clients to purchase the securities.

44. By the conduct described above, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

COUNT II

Fraud in Connection With a Tender Offer in Violation of Exchange Act §14(e) and Rule 14e-3

45. Plaintiff SEC repeats and realleges Paragraphs 1 through 39 above.

46. Defendant Sekhri knew or had reason to know the fact that the information he possessed concerning the tender offer by WorldCom for MCI, as described above, constituted material nonpublic information relating to a tender offer that had been acquired directly or indirectly from the offering entity, WorldCom, or from Salomon, an entity acting on behalf of WorldCom.

47. Defendant Sekhri communicated such information directly or indirectly to Defendants Sehgal, Rajan, Sharma, Kapoor, Dow, Cochrane and Thifault while knowing, reasonably expecting, or recklessly disregarding the likelihood that these Defendants would trade in MCI securities, and that Kapoor would cause his Merrill Lynch clients to trade.

48. Defendants Sehgal, Rajan, Sharma, Dow, Cochrane and Thifault, while in possession of such information, and knowing or having reason to know the fact that such information had been acquired directly or indirectly from WorldCom or Salomon, purchased MCI securities, as set forth above, and Kapoor so caused his Merrill Lynch clients to purchase MCI securities.

49. By the dates on which Defendants Sehgal, Rajan, Sharma, Dow, Cochrane and Thifault began their respective trading in MCI securities, and on which Kapoor caused his

clients to trade, WorldCom had taken substantial steps toward commencing its tender offer for MCI securities.

50. By the conduct described above, Defendants violated Section 14(e) of the Exchange Act and Rule 14e-3 promulgated thereunder.

COUNT III

Claim Against Relief Defendants

51. Plaintiff SEC repeats and realleges Paragraphs 1 through 50 above.

52. Relief Defendants Mahendar and Sharda Sekhri have been and are, upon information and belief, in possession, custody and control of certain assets of the principal Defendants in this case. These assets include the sum of at least \$37,767 wired by Defendant Dow to Relief Defendant Sharda Sekhri for the benefit of Defendant Arjun Sekhri.

53. These further assets include, without limitation, a 1998 Lexus automobile titled in the name of the Relief Defendants but beneficially owned by Defendant Arjun Sekhri. Although the Relief Defendants lived in Pennsylvania, the car was purchased from a Lexus dealership in New York City, where Arjun Sekhri worked at Salomon. And a substantial portion of the approximately \$50,000 purchase price for this car came from the insider trading profits of Sehgal, Sekhri's father-in-law. Sehgal had received a wire transfer of approximately \$80,000 from the insider trading profits of Dow and his tippees Cochrane and Thifault in early October, and Sehgal had also profited from his own insider trading before the Carson announcement in late October and the second MCI announcement in early November.

54. Relief Defendants Mahendar and Sharda Sekhri should be ordered to disgorge all assets of the principal Defendants within the possession, custody and control of these Relief Defendants.

WHEREFORE, Plaintiff SEC requests that this Court enter final judgment:

(a) Finding that Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Rohina Sharma, Sharad Kapoor, Fuad Dow, Gordon W. Cochrane and Martin L. Thifault have engaged in the conduct described above, and that in so doing, they have violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

(b) Finding that Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Rohina Sharma, Sharad Kapoor, Fuad Dow, Gordon W. Cochrane and Martin L. Thifault have engaged in the conduct described above, and that in so doing, they have violated Section 14(e) of the Exchange Act and Rule 14e-3 thereunder.

(c) Restraining and enjoining Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Rohina Sharma, Sharad Kapoor, Fuad Dow, Gordon W. Cochrane and Martin L. Thifault from future violations of Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder.

(d) Ordering Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Rohina Sharma, Fuad Dow, Gordon W. Cochrane and Martin L. Thifault to account for and disgorge all proceeds they have received as a result of the illegal conduct described above, together with prejudgment interest, and further ordering Defendant Sharad Kapoor to account for and disgorge all proceeds he so caused his Merrill Lynch clients to receive.

(e) Ordering Relief Defendants Mahendar and Sharda Sekhri to disgorge all assets of the principal Defendants within the possession, custody and control of these Relief Defendants.

(f) Ordering Defendants Arjun Sekhri, Amolak Sehgal, Pratima Rajan, Rohina Sharma, Sharad Kapoor, Fuad Dow, Gordon W. Cochrane and Martin L. Thifault to pay civil penalties, pursuant to Section 21A of the Exchange Act [15 U.S.C. §§78u-1].

(g) Granting such other and further relief as may be just and proper.



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